USDA Foreign Agricultural Service
LINKING U.S. AGRICULTURE TO THE WORLD

International Trade Report

April 10, 2008

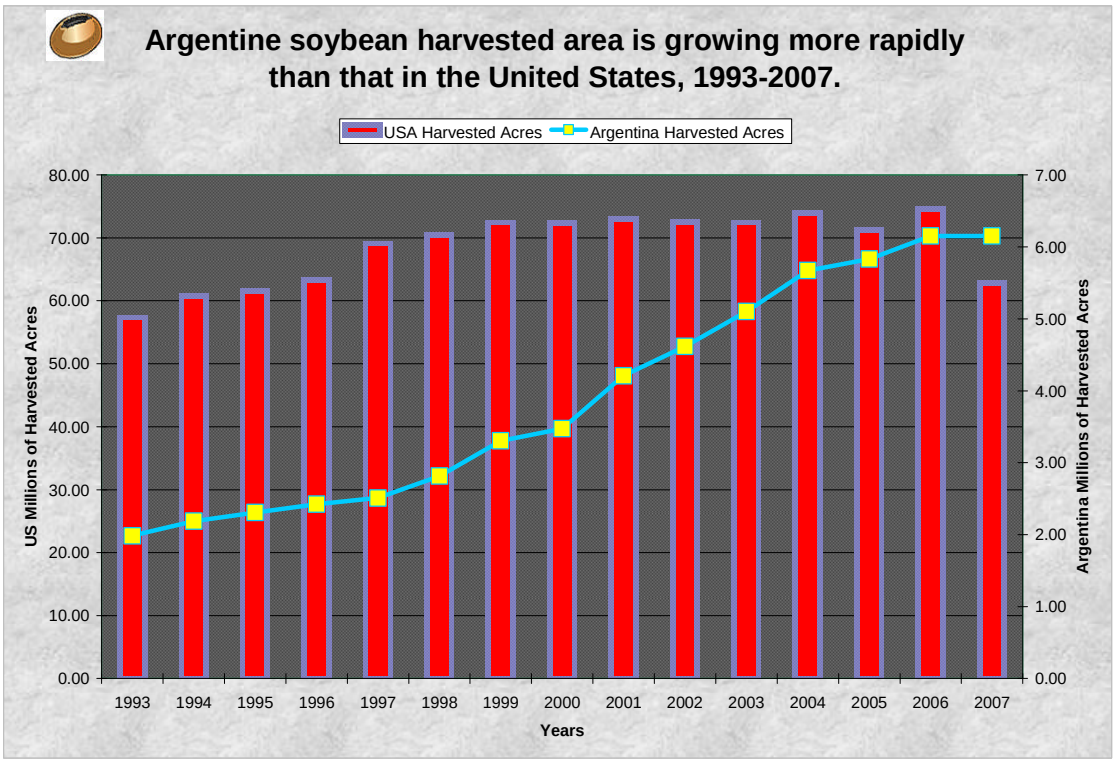
Argentina Improves Capability and Efficiency

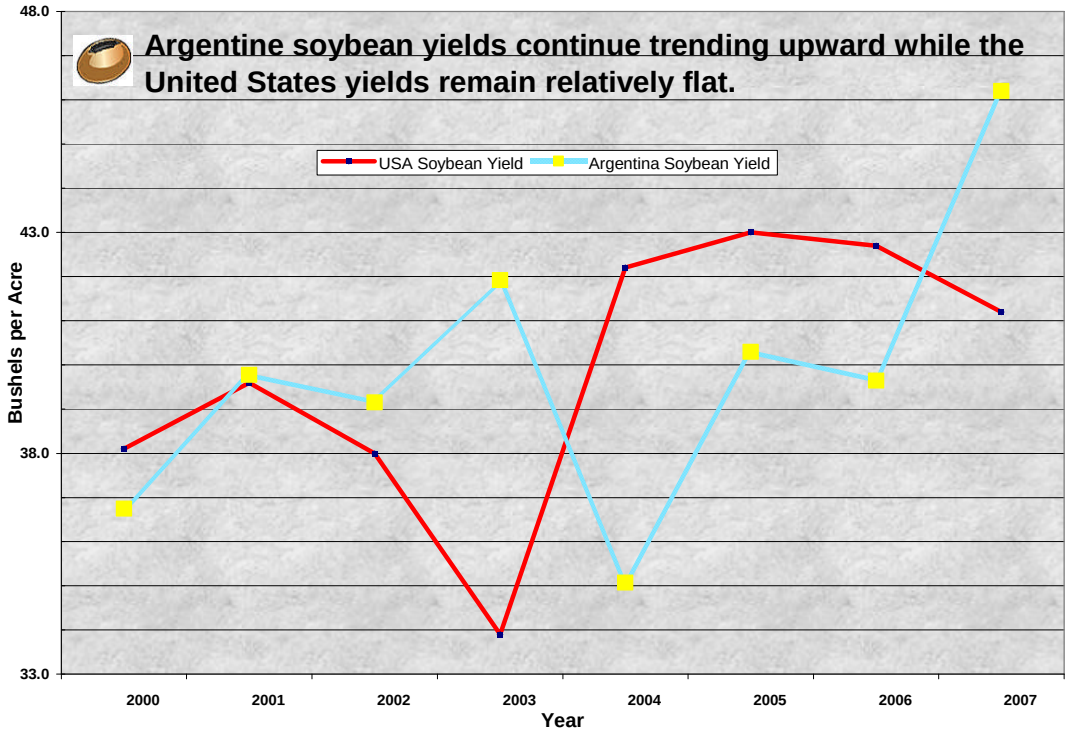
Summary

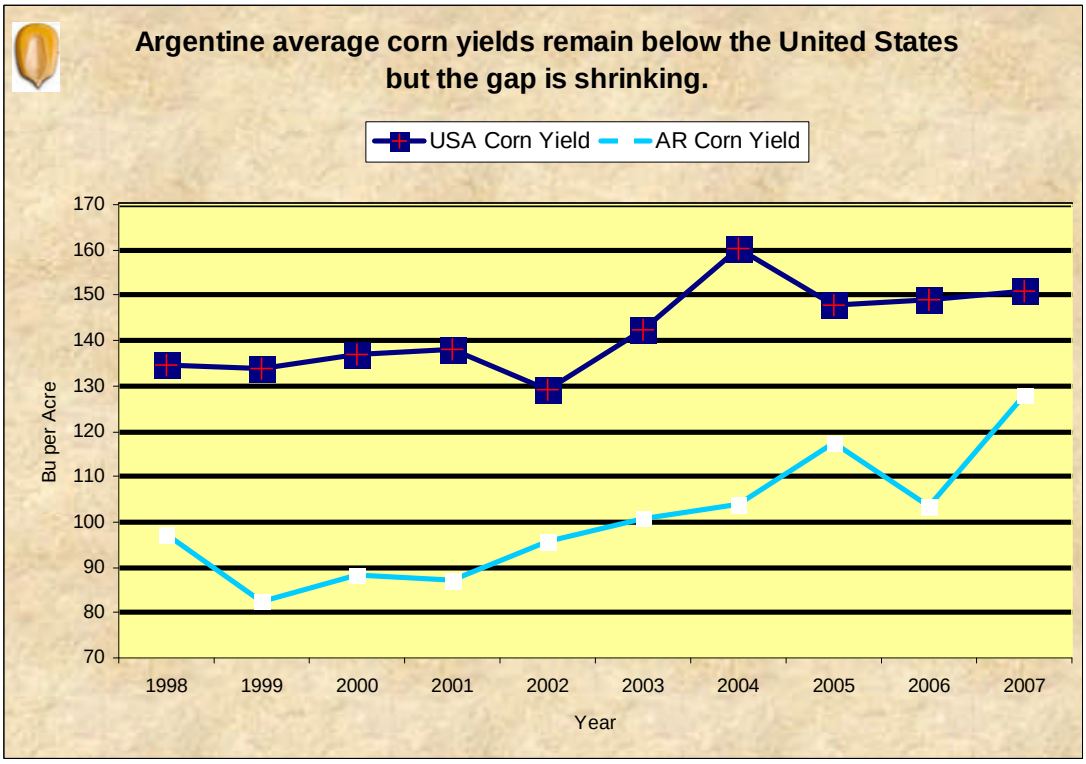
Recent travel in Argentina indicates greater productivity and improving market efficiencies for grains and soybeans have yet to overcome entrenched systemic inefficiencies that constrain their competitive exporter position in the world.

Production Efficiencies Improve Grain and Oilseed Output

- Area destined for export crops has increased almost 40 percent in the last ten years with soybean production area tripling. New land from pasture conversion is ready immediately for row crops due to fertile soils, which hold moisture well and need very little fertilizer.
- Production inputs are cheaper thus improving competitiveness and also requiring less capital from farmers and businesses. Cheap labor costs and inputs allow farmers to control pests more easily than American farmers. Simply driving a diesel-powered sprayer across a hectare of land only costs $5 for fuel and pest control as compared to a $30 estimated average cost in the United States.
- Agricultural businesses are more prominent and use technology to further improve efficient operations. Risk associated with production is lowered by use of contract services covering use of the land, consulting, planting and harvesting. Family and community pooling of inputs, finances and land further enhance efficiencies and profits.
- New center pivots that are going onto farms have shallowly found, cheaply obtained water. These irrigation pivots are modern, efficient systems provided by private industry that have contracted the land for seed production. These pivots will remain with the farm operation after seed contracts expire.
- On-farm storage has improved with additional grain storage through silo bags and portable bins not only used for forage but also for grain such as wheat and corn.
- Producers receive subsidies in the form of tax rebates.


Argentine soybean harvested area is growing more rapidly than that in the United States, 1993-2007.
USA Harvested Acres
Argentina Harvested Acres
US Millions of Harvested Acres
Argentina Millions of Harvested Acres
80.00
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Years


Argentine soybean yields continue trending upward while the United States yields remain relatively flat.
USA Soybean Yield
Argentina Soybean Yield
Bushels per Acre
48.0
43.0
38.0
33.0
2000
2001
2002
2003
2004
2005
2006
2007
Year



Infrastructure and Transportation Efficiencies Improve Market and Export Prospects

- Port facilities, along the Parana River, have improved storage capacity with more planned (including underground storage and new above ground silos).
- Central ports near Rosario continue to improve with quick discharge railcars that roll over underground storage units located near new biodiesel plants and storage.
  Farm trucks and pup-truck lifts dump grain faster into grain storage facilities which are a third larger than last year.
- Multi-leg grain drops at the ports evenly fill Panamax (50,000 ton) ship within a day as compared to older, southern ports than take two days.
- Soybean crushing plants are expanding fixed storage capabilities along the river to take advantage of major ports.

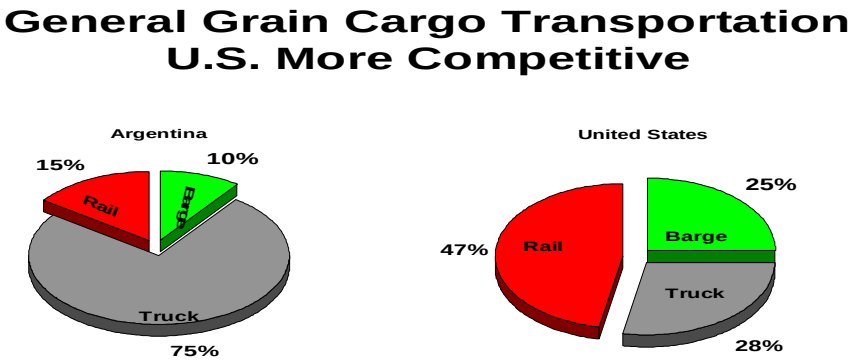
PANAMAX LOADING OILSEEDS AT THE PARANA RIVER (February 2008)

But Systematic Problems Constrain Further Export Expansion

With almost 80 percent of the grains and oilseeds grown for export, Argentina's transportation infrastructure to the ports along the Parana River, is critical to further export efficiency and expansion. However, we found a number of long-term systemic inefficiencies and problems, which limits expansion.

- There are 14 ports along the Parana River, mostly in the principal producing zones in the north and central region, with loading capabilities that often are bottlenecked during the major grain and oilseed shipping season (May to July). A few of the ports, with continuous dredging are deep enough to partially fill a Panamax.
- There are only 2 ocean ports (Bahia Blanca and Necochea) with grain facilities capable of fully loading a Panamax or topping off partially, filled cargoes from the Parana River.
- Although barges are the most efficient means of transportation down the river, (it takes 40 to 50 trucks to carry the equivalent of 1 barge, average capacity of 1400 tons), only 10 percent of the grains and oilseeds are actually transported that way. There is a lack of navigable transversal waterways in the principal producing areas and infrastructure and port services, like docking facilities for barges, port tugboats, winches, cranes, and skilled personnel are limited.
- Trucks account for 75 percent of the grains and oilseeds transported to port facilities because the highway system is well developed and maintained from the interior. However, the access roads between farms and the highways are not well maintained, which caused bottlenecks and delays.

- Another 15 percent of the grains and oilseeds for export are transported by rail, but the interior railway system is deteriorating, and poorly placed. The government is not building new rail lines from expanding producing areas in the NW and NE to the river ports.



FARM TRUCK UNLOADING CORN AT PORT GRAL. SAN MARTIN, ARGENTINA (February 2008)

For more information on production, contact Denise McWilliams, International Production Assessment Division (IPAD) at (202)720-0107 or Denise.McWilliams@fas.usda.gov. For Infrastructure, Transportation and Trade information contact Marcela E. Rondon, Industry Sector Analysis Division (ISAD) at (202) 720-0929 or Marcela.Rondon@fas.usda.gov